

Chapter

3

Financial Services

There are probably things that you dream about buying one day. Maybe you want to save money for post-secondary education, buy a car or truck, or spend some money on entertainment, clothes, or a new computer.

Whatever your goals are, whether they are big or small, it is important to understand how different services available from financial institutions can help you manage your money.

Definitions:

interest: money earned on an investment or a fee paid for borrowing money; usually expressed as a percentage.

self-service banking: banking done over the internet, by telephone, or at a banking machine; does not require the services of a teller.

Warm-up: On the Job

Carla Thibodeau grew up in northern New Brunswick, where she attended Miramichi Valley High School. After graduating, she did her Bachelor of Arts at the University of New Brunswick, studied basic accounting at NBCC, and then pursued leadership development training through an institution in Pittsburgh, Pennsylvania.

Carla is now back in the Miramichi, where she works as the senior member services representative at the Beaubear Credit Union. She is responsible for the cash supply at the branch, servicing of the ATM, control of money orders, coaching other member services representatives, and daily customer service.

A customer wants to buy \$500.00 USD in traveller's cheques and pay for them from her chequing account. At the time of purchase, the exchange rate is \$1.0526 CAD for \$1.00 USD. There is a 1% commission on the Canadian dollar value of the traveller's cheques. Carla must also charge a \$1.00 fee for the transaction. How much money should Carla withdraw from the customer's account?

3.1

Choosing an Account

Many different types of accounts are available at banks and other financial institutions such as credit unions and trust companies.

When you deposit money at a financial institution, it may pay you interest, a percentage of the amount deposited. The amount of interest depends on the type of account you have and the amount of money in it.

Many people have a savings account or an investment account that earns interest. Most people also use a chequing account that allows them to write cheques. Chequing accounts usually do not pay interest.

There are several different ways to access and manage your money:

- Banks encourage self-service banking, such as using an automated teller machine (ATM). You can make withdrawals and deposits (cheques and cash), pay bills, and transfer money at your bank's ATM. You can also check the balance of your account and get printed bank statements at an ATM.
- Most financial institutions offer online banking and telephone banking, which are two types of self-service banking. Many banks also offer certain banking services by SMS (short message service) text messaging on your wireless phone.

- You can visit your bank in person and do full-service banking with a teller. Tellers offer all the same services as your bank's ATM. Some services, such as opening an account and purchasing traveller's cheques, can only be done in person.

Banks charge service charges, or fees, for transactions such as deposits, cash withdrawals, bill payments, and money transfers between accounts. Most banks offer different types of accounts that entitle you to a certain number of transactions for a flat monthly fee. For each transaction over that, you pay a transaction fee. Most banks offer students a special rate or an account that charges no service fees.

CHOOSING YOUR BANK ACCOUNT

Banks charge different transaction rates on different types of accounts. If you pay bills online and frequently use banking machines, you will likely want a different type of account than someone who makes regular deposits and prefers to do their transactions with a bank teller.

1. What are some typical transactions that students are likely to make?
2. Have you ever written a cheque?
When might you need to write a cheque?
3. Why might you want to have a full-service account?
Why might you want a savings account?
4. Many banks offer an account selector on their website. What information would you need to consider about your financial needs so that you could make an informed choice when selecting a bank account?

Example 1

Laura is studying textiles and fashion design at Nova Scotia College of Art and Design in Halifax. She has \$6500.00 in savings to cover her living expenses during her first 3 months of study. Laura wants to open a new bank account. Her monthly living expenses are \$2000.00. She estimates that she will need to write about 2 cheques, pay 4 bills online, and use her bank card for about 10 transactions each month.

The Bank of Atlantic Canada offers four types of accounts. Which account would be the least expensive choice for Laura?

BANK OF ATLANTIC CANADA SERVICE PACKAGES				
	Value Account	Self-service Account	Full-service Account	Bonus Savings Account
Monthly fee	\$3.90	\$10.90 Students and Youth (under 18) save 50% on the monthly fee	\$24.50	No fee
Fee waived on minimum monthly balance	\$1000.00	\$1500.00	\$2000.00	
Transactions covered by monthly fee: • cheques • withdrawals • bill payments • debit purchases • transfers to other Bank of Atlantic Canada accounts	10 self-service	25 self-service	40 self-service or teller-assisted No annual fee for a credit card	2 debit transactions
Charge for additional transactions not covered by monthly fee	Self-service \$0.50 each Teller-assisted \$1.00 each	Self-service \$0.50 each Teller-assisted \$1.00 each	Self-service \$0.25 each	Self-service or teller-assisted \$1.25 each
Non-Bank of Atlantic Canada ATM withdrawals	\$1.50 each	\$1.50 each		
Interest				Daily interest that grows with your balance

Transaction Types

Self-service: Any transaction that does not require a bank teller. This includes withdrawals, deposits, cheques, money transfers, direct payment purchases, and transactions made at an ATM, by telephone, or online.

Teller-assisted: Includes all transactions that require a teller, such as in-branch withdrawals, transfers, in-branch bill payments, and traveller's cheque and foreign currency purchases.

Laura's Account Options			
	Value Account	Self-service Account	Full-service Account
Month 1			
Approximate Minimum Monthly Account Balance:			
Monthly Fee			
Transaction Charges			
Month 2			
Approximate Minimum Monthly Account Balance:			
Monthly Fee			
Transaction Charges			
Month 3			
Approximate Minimum Monthly Account Balance:			
Monthly Fee			
Transaction Charges			
Totals for 3 months			

Your Turn

Delphine has a Value Account at the Bank of Atlantic Canada with an opening balance of \$768.23 on April 1st. She made the following transactions in the first two weeks of the month:

- Teller-assisted payment of \$105.42 for her utility bill.
- Cash withdrawals of \$60.00, \$40.00, \$60.00, \$20.00, and \$100.00 at Bank of Atlantic Canada ATMs.
- Bank card payments of \$167.24 for groceries, \$45.00 for gas, \$3.55 for a cup of coffee, \$125.45 for a new pair of running shoes, and \$145.67 for groceries.
- Deposit of \$650.45 at a Bank of Atlantic Canada ATM.
- Cash withdrawal of \$60.00 at another institution's ATM. There was a \$1.50 charge in addition to the Bank of Atlantic Canada service charge.

Delphine tracks all her transactions in a record book. Below is a summary of her transactions.

Transaction	Date	Description	Payment	Deposit	Balance
	4/1/10				768.23
FS	4/2/10	Utilities	105.42		
ATM	4/3/10	Cash	60.00		
ATM	4/4/10	Cash	40.00		
DC	4/4/10	Groceries	167.24		
DC	4/5/10	Gas	45.00		
DC	4/5/10	Coffee	3.55		
ATM	4/6/10	Cash	60.00		
ATM	4/8/10	Deposit		650.45	
DC	4/9/10	Runners	125.45		
DC	4/9/10	Groceries	145.67		
ATM	4/9/10	Cash	20.00		
ATM	4/12/10	Cash	100.00		
ATM*	4/14/10	Cash	60.00		

* Transaction made at another institution's ATM.

Review the Bank of Atlantic Canada fees found on p. 96 and answer the following questions.

- a) List the types and amounts of service charges for each transaction in the two-week period. What will Delphine pay in service charges?
- b) Why do you think Delphine recorded the last ATM withdrawal for \$60.00 with a star?
- c) What is her balance at the end of two weeks if she includes the service charges in her calculations?
- d) If Delphine has no further transactions for the month of April, will she have to pay the monthly fee? Explain.

To Do:

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1. Marc is an administrative assistant for the provincial francophone development council in Charlottetown, PEI. The council supports the economic development of the local Acadian and francophone community. Marc plans to save \$300.00 a month towards buying a house. What type of account should he choose? Explain your answer.

Marc should choose a savings account as it will gain a higher interest rate.

2. Jannik does most of his banking online or at an ATM. Every month he has a minimum balance of \$1200.00 and does about 15 transactions. Suggest the account most suitable for his needs and explain your choice.

	<u>Value Account</u>	<u>Self-Service</u>	<u>Full-Service</u>	<u>Bonus Savings</u>
Monthly Fee	\$0	\$10.90	\$24.50	\$0
Transactions	5 x 0.50 = \$2.50	\$0	\$0	13 x 1.25 = \$16.25
Totals	\$2.50	\$10.90	\$24.50	\$16.25

Value Account would be the best choice because it would cost the least.

3. Kyra has a Self-service Account at the Bank of Atlantic Canada with an opening balance of \$2150.23 for October. She made the following transactions in the month:

- full-service payment of \$250.42 for her utility bill
- payment by cheque of \$650.00 for her rent
- purchase of \$100.00 worth of traveller's cheques
- cash withdrawals of \$60.00 and \$20.00 at her local Bank of Atlantic Canada ATM
- cash withdrawal of \$100.00 at an ATM which was not a Bank of Atlantic Canada ATM; there was an additional \$1.50 charge on top of the Bank of Atlantic Canada service charge
- payments of \$102.24 and \$43.20 for groceries, \$50.00 for gas, and \$7.35 for lunch using her bank card
- payment for a new cycling jacket purchased online for \$99.95
- online payment of her phone bill of \$36.35

a) What are the service charges for Kyra's transactions?

b) What will Kyra's balance be at the end of the month?

c) If Kyra makes a single deposit of \$800.00 this month, will she have to pay a monthly fee?